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O P I N I O N

of the Committee on External Economic Relations

for the Political Affairs Committee

on the enlargement of the European Community and relations with
other European countries

Draftsman: Mr Pierre CEYRAC

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O P I N I O N

(Rule 120 of the Rules of Procedure)

of the Committee on External Economic Relations
for the Political Affairs Committee
Draftsman: Mr Pierre CEYRAC

At its meeting of 31 October 1990 the Committee on External Economic Relations appointed Mr Ceyrac draftsman.

At its meeting of 13 May 1991 it considered the draft opinion.

At the latter meeting it adopted the conclusions as a whole by 9 votes to 6.

The following were present for the vote: de Clercq, chairman; Cano Pinto, Stavrou and Moorhouse, vice-chairmen; da Cunha Oliveira (for Miranda de Lage), Hindley, Janssen van Raay (for Estgen), Lenz (for Gallenzi), Marck (for Braun Moser), Peijs, Randzio Plath, Rossetti, Sonneveld (for Lemmer), Spencer, Tsimas and Visser (for Junker).

1. INTRODUCTION

The recent upheavals in Europe have highlighted the importance of the role played by the European Community and made speedier European integration essential.

Now that new strategies have been drawn up as part of the Intergovernmental Conferences on EMU and Political Union, consideration should be given to foreseeable developments in the Community's relations with the rest of Europe.

- What is to become of the countries of Central and Eastern Europe? Will some of them become members of the Community in the near future?
- Will EFTA remain a privileged but separate partner of the Community or will the two bodies merge?
- Can the accession of Turkey be envisaged?
- Will Malta and Cyprus also join the Community or will they have a special status?

This opinion sets out to investigate these issues, taking into account ideas put forward in the Commission and Parliament, and make an overall assessment from the point of view of the REX Committee's sphere of competence.

2. THE EFTA COUNTRIES

Some of these countries, namely Austria and Sweden, have indicated a clear wish to become members of the Community.

The others - Switzerland, Norway, Finland, Iceland and Liechtenstein - are expressing strong interest in greater cooperation with the Community. The result of this is likely to be the establishment of the European Economic Area, which would include all these countries and the Community.

It is generally felt that, while such accessions would create a need for adaptation, they would have no adverse consequences for the Community, given the level of development of the countries concerned and the long-standing close economic and cultural links between them and the Community. They would in fact strengthen it, since Community rules would apply to an even larger area of Europe.

3. DEVELOPMENT OF THE COMMUNITY'S RELATIONS WITH THE COUNTRIES OF CENTRAL AND EASTERN EUROPE

The events following the 'revolutions' of autumn 1989 brought about a rapprochement between the Community and Central and Eastern Europe which was as sudden as it was unexpected.

Certain Central and Eastern European states do not conceal their wish to become members of the Community in time. Essentially the countries in question are, Hungary, Poland and Czechoslovakia. Through its inclusion in the FRG, the GDR is already effectively a member of the Community, albeit as a result of very special circumstances.

It would certainly be premature to give serious consideration to other applications for accession. At the same time, the Community clearly has every interest in developing and extending its relations with its immediate neighbours.

The Community must give a positive response to the wish expressed by the neighbouring states to become part of the European enterprise, partly in order to show solidarity with democratic forces but also in its own interest. A new generation of association agreements must be negotiated.

The leading role played by the Community in overcoming divisions in Europe should also be reflected in appropriate participation at the next CSCE summit, in forums such as the OECD, the Council of Europe and the Economic Commission for Europe and in other activities.

The European agreements: towards an association framework

The trade and cooperation agreements concluded with the countries of Central and Eastern Europe provide a basis for firmer relations between the Community and these countries. The agreements are already being drafted and must ensure that as many mutual benefits as possible are secured. As the reform process grows stronger in each country, the Community must speed up the timetable for dismantling remaining restrictions and make provision for other forms of liberalization. The transition by these countries to full external convertibility would be a step in the right direction.

In addition to these improvements, the Community must, when conditions permit, establish special relations with its neighbours in Central and Eastern Europe by negotiating a network of association agreements (or 'European agreements') based on Article 238 of the EEC Treaty. The Community will make the transition from cooperation to association subject to the achievement of decisive progress in the establishment of systems based on the principles of democracy and a market economy. Progress should be made in the following areas:

- respect for the rule of law,
- respect for human rights,
- the creation of a multiparty system,
- the holding of free and fair elections,
- economic liberalization with a view to introducing a market economy.

Association agreements have a purpose of their own and should not be confused with the right of accession to the Community referred to in Article 237 of the EEC Treaty. This right is not affected by the conclusion of association agreements.

4. TURKEY'S REQUEST FOR ACCESSION TO THE COMMUNITY

On 14 April 1987 the Turkish Government submitted to the Community Turkey's application for accession to the Community on the basis of Article 237 of the EEC Treaty, Article 98 of the ECSC Treaty and Article 205 of the EAEC Treaty.

The Commission notes that¹

- Since 1980 the Turkish economy has made a remarkable leap forward. GDP has increased by 5.2% a year (average for the period 1981-88), compared with 2.0% a year for the Twelve.
- Exports have increased very rapidly and their structure has been diversified: 80% of exports are now manufactured products. In 1988 Turkey managed for the first time since the war to achieve a surplus on its current account.
- There has been a definite improvement in economic infrastructure (roads, electricity, telephone, aviation, irrigation).

Certain problems remain which are impossible to ignore:

- = political life is still much less democratic than in Western Europe;
- = the situation as regards human rights and respect for the identity of minorities is still unsatisfactory, despite some progress;
- = the Cyprus problem and the difficulties between Greece and Turkey are an obstacle to European integration; these are divisive issues which need to be solved;
- = the different cultures and civilizations in Turkey and the Community Member States are scarcely compatible;

The accession of Turkey would make it impossible for the Community to fulfil the obligations arising from its economic and social policies and solve all the problems caused by differences of culture and civilization.

The additional burden on the Community budget mainly as a result of Turkey's inclusion in the Structural Funds would be extremely heavy, given Turkey's size and level of development.

The arrival of Turkish labour on the Community job market - which would be bound to occur, even after a long transitional period - will arouse concern as long as there is high unemployment in the Community.

This would therefore appear to be an inopportune moment to envisage the accession of Turkey.

Clearly, however, the Commission must continue its cooperation with Turkey and has every interest in strengthening relations with it and helping it to complete its political and economic modernization process.

5. RELATIONS WITH CYPRUS

The current situation on the island poses a particular problem: in its resolution of 20 May 1988, Parliament called on the Council 'in order to

¹ Commission opinion on Turkey's request for accession to the Community (SEC(89) 2290 final, 18 December 1989)

facilitate the resumption and successful outcome of negotiations between the two communities, to devote special study to the possibility of an economic opening by the Community towards the Republic of Cyprus as a whole, the practical arrangements for such a move and its consequences, and also, in the long term, the question of Cyprus's possible accession to the Community' as well as noting 'the unlawful occupation of part of the territory of a country associated with the Community by the military forces of another country, also associated with the Community'.

By 1998 Cyprus is supposed to adopt the main features of Community rules on competition policy and, in particular, abolish any public aid 'which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods'. It is also expected to comply with Community rules on the taxation of products, export refunds and turnover taxes.

The accession of Cyprus to the Community is essentially a political question, given the state of affairs on the island, and one which is likely to remain unresolved for some time. The association treaty provides a temporary solution which appears to be the only one possible in the present conditions.

6. THE EEC AND MALTA

The agreement establishing an association, signed on 5 December 1970 and supplemented and extended by the additional protocols of 1976 and 1977 as well as the financial protocols of 1976 and 1986, constitutes the basis of bilateral relations between Malta and the Community.

The association agreement provides for the gradual abolition of obstacles to trade over a period consisting of two stages of five years each. The second stage was intended to lead to the establishment of a customs union.

After January 1981 the representatives of Malta announced that, for economic and political reasons, they did not wish to move on to the second stage leading to a customs union between the Community and Malta. The agreement was therefore extended unilaterally by the Community for periods of six months at a time using the additional protocol which entered into force in April 1989. The first phase of the agreement was thus extended to 31 December 1990. A new financial protocol is expected to be adopted in the very near future.

The provisions of the association agreement would appear to be highly satisfactory to both sides and at present it is expected that relations will continue in their current form, i.e. involving Community financial aid for modernizing Malta's economy and infrastructure.

7. CONCLUSIONS

The Committee on External Economic Relations calls on the Political Affairs Committee to adopt the following conclusions and include them in its motion for a resolution:

- 7.1. Recognizes that the European Community has played and continues to play a key role in economic development and the establishment of peaceful friendly relations in Europe;

- 7.2. Recognizes that current circumstances act as a stimulus towards European integration;
- 7.3. Advocates the creation of a European Union, with institutions which wield extensive powers in economic and monetary policy, foreign policy, security policy and defence policy, so that it can play a major role in international politics and act as a force for establishing equilibrium in international relations;
- 7.4. Is aware that a politically strong European Community with powers in monetary policy, foreign policy and defence policy is a political factor capable of facilitating extensive help to and cooperation with the Eastern European countries and at the same time maintaining the political strength of Europe and the world;
- 7.5. Insists that European integration must be achieved by safeguarding the historical and cultural identity of the different peoples;
- 7.6. Stresses the open nature of the Community and expresses the hope that the conditions of future accessions will not constitute any kind of obstacle to the intensification of the objectives of the Community as it is at present;
- 7.7. Believes that consideration should be given to the gradual accession of all European states to the Community; (rest deleted)
- 7.8. Welcomes the accession application submitted by Austria and Sweden's intention to do the same and hopes that these countries may as soon as possible be able to become members of a European Community which will have progressed towards political union;
- 7.9. Hopes that the other EFTA member states will apply for accession to the Community, provided that they accept the whole 'acquis communautaire';
- 7.10. Welcomes the expansion of relations between the Community and the countries of Central and Eastern Europe as well as the growing cooperation between the Community and these countries, with the aim of offering them the prospect of accession;
- 7.11. Considers that cooperation between the Community and the countries of Central and Eastern Europe will help to raise their level of development within the context of a process of economic change which must be carried out gradually in order to avoid jeopardizing what has been achieved in the social field;
- 7.12. Recognizes the importance for Europe as a whole of strengthening cooperation between the Community and these countries and increasing Community aid to them;
- 7.13. Hopes that Czechoslovakia, Poland and Hungary can be associated with the Community as soon as possible and that this will facilitate and assist their democratic, economic and political development, so as to enable them to accede to the Community;

- 7.14. Hopes that Czechoslovakia, Poland and Hungary will overcome, as soon as possible, the economic, social and political obstacles which at present make their accession to the Community impossible;
- 7.15. Welcomes Turkey's efforts to modernize its infrastructure and improve its economic situation;
- 7.16. Wishes to increase cooperation and trade with Turkey but notes that the differences between Turkey and the Community are too great for accession by Turkey to be considered in the near future;
- 7.17. Welcomes the operation of the association agreement with Malta;
- 7.18. Welcomes the fact that cooperation with Cyprus is continuing, while regretting that the political situation still existing on the island prevents the establishment of closer relations;